



# ERS Information

News on agriculture, food, the environment, and rural America

## The 2002 Farm Act: Provisions and Implications for Commodity Markets *(AIB778) only available electronically*

[www.ers.usda.gov/publications/aib778/](http://www.ers.usda.gov/publications/aib778/)

Paul Westcott; (202) 694-5335; westcott@ers.usda.gov

The Farm Security and Rural Investment Act of 2002 (2002 Farm Act) was signed into law on May 13, 2002. The new legislation governs agricultural programs through 2007, covering a wide range of programs for commodities, conservation, trade, rural development, nutrition, credit, forestry, and energy.

While the 2002 Farm Act introduces some new policies to the array of agricultural commodity programs, in many ways, it extends provisions of the 1996 Farm Act and the ad hoc emergency spending bills of 1998-2001. For example, the 2002 Act continues marketing assistance loans, which existed under previous U.S. farm law; direct payments replace production flexibility

contract payments of the 1996 Farm Act; and counter-cyclical payments are intended to institutionalize the market loss assistance payments of the past several years.

This report provides an initial evaluation of the effects of the 2002 Farm Act on agricultural commodity markets, based on sectorwide model simulations under alternative policy assumptions: continuation of the 1996 Farm Act and introduction of the 2002 Farm Act. The scenarios use the USDA-ERS Food and Agricultural Policy Simulator (FAPSIM), supplemented with analyses by USDA interagency commodity committees for selected commodities. The model simulations cover 10 years and reflect USDA long-term projections at the time the new legislation was enacted. These projections include a backdrop of

*Continued on page 3*

## Household Food Security in the United States, 2001 *(FANRR29)*

[www.ers.usda.gov/publications/fanrr29/](http://www.ers.usda.gov/publications/fanrr29/)

Mark Nord; (202) 694-5433; marknord@ers.usda.gov

Food security—access by all people at all times to enough food for an active, healthy life—declined in the United States from 1999 to 2001. The prevalence of food insecurity increased by 0.6 percentage points and the prevalence of hunger by 0.3 percentage points during the period.

Food security is one of several necessary conditions for a population to be healthy and well nourished. The U.S. Department of Agriculture (USDA) monitors food security in the Nation's households through an annual survey of some 40,000 households conducted by the U.S. Census Bureau. The most recent food security survey reveals 89.3 percent of U.S. households were food secure throughout calendar year 2001. "Food secure" means they had access, at all times, to enough food for an active, healthy life for all household members. The remaining 10.7 percent of U.S. households (11.5 million) were food insecure. At some time during the year, these households were uncertain of having, or unable to acquire, enough food to meet basic needs of all their members because they had insufficient money or other resources. About one-third of food-insecure households (3.5 million, or 3.3 percent of all U.S. households) were food insecure to the extent that one or more household members were hungry at least some time during the year because they could not afford

*continued on page 3*

### Inside

<b>Farmland Protection: The Role of Public Preferences for Rural Amenities</b> examines the design and structure of State and local farmland preservation programs.	3
<b>Rural America</b> focuses on <ul style="list-style-type: none"> <li>• older Americans in rural areas</li> <li>• the rise in rural housing prices</li> <li>• federal funds in rural America</li> </ul>	4
<b>Issues in Food Assistance</b> explores <ul style="list-style-type: none"> <li>• the self-sufficiency of food stamp leavers</li> <li>• the link between unemployment and food stamps</li> <li>• food assistance programs and low-income families</li> </ul>	5
<b>The WIC Program: Background, Trends, and Issues</b> describes the WIC program—how it works, its history, program trends, and the characteristics of the population it serves.	5
<b>Effects of Food Assistance and Nutrition Programs on Nutrition and Health</b> is an evaluation of various data sources for their potential for analyzing the impacts of USDA's food assistance and nutrition programs.	6
<b>Agricultural Outlook</b> examines <ul style="list-style-type: none"> <li>• Christmas tree sales</li> <li>• the U.S. soft drink industry</li> <li>• small farms' cattle production</li> </ul>	7
<b>Also Off Press</b> highlights 12 new reports	8

---

# Agricultural Outlook Forum 2003



**Arlington, Virginia  
February 20-21, 2003**

## *Mark your calendar*

### **USDA's 79th Agricultural Outlook Forum**

**An open market for issues and ideas**

Watch for details at [www.usda.gov/oce/waob/agforum.htm](http://www.usda.gov/oce/waob/agforum.htm)  
To receive program updates by email  
send requests to [agforum@oce.usda.gov](mailto:agforum@oce.usda.gov)

## **The ERS Mission**

The mission of the U.S. Department of Agriculture's Economic Research Service (ERS) is to provide public and private decisionmakers with economic and related social science information and analysis that helps them achieve five key goals:

- a globally competitive agricultural production system
- a safe and secure food production system
- a healthy and well-nourished public
- harmony between agriculture and the environment
- enhanced economic opportunity and quality of life for rural Americans

The ultimate beneficiaries of ERS programs are the American people, whose well-being is improved by informed public and private decisionmaking.

**The U.S. Department of Agriculture (USDA) prohibits discrimination in all its programs and activities on the basis of race, color, national origin, sex, religion, age, disability, political beliefs, sexual orientation, or marital or family status. (Not all prohibited bases apply to all programs.) Persons with disabilities who require alternative means for communication of program information (Braille, large print, audiotape, etc.) should contact USDA's TARGET Center at (202) 720-2600 (voice and TDD).**

To file a complaint of discrimination, write USDA, Director, Office of Civil Rights, Room 326-W, Whitten Building, 14th and Independence Ave., SW, Washington, DC 20250-9410, or call (202) 720-5964 (voice and TDD).

USDA is an equal opportunity provider and employer.

## **How to Obtain a Report**

### **WWW**

ERS reports and periodicals can be found at our Website—[www.ers.usda.gov](http://www.ers.usda.gov)—by typing the publication url we've provided into your browser's address line or by typing the first four or five words of the report title into Search on our front page.

### **Phone/E-mail**

The ERS Media Team responds to requests for information and media questions. To reach a Media Team member, call (202) 694-5139 or e-mail [ERSINFO@ers.usda.gov](mailto:ERSINFO@ers.usda.gov).

### **Fax/Mail**

Write the titles below and either fax to the Media Team at (202) 694-5638 or attach your mailing label, and mail to: Media Services, ERS, Room S-2015, 1800 M Street NW, Washington, DC 20036-5831.

Report Titles:

---

---

---

---

Attach mailing label here

---

## Farm Act *continued from page 1*

strengthening global trade and U.S. agricultural exports, resulting in rising market prices in the sector over the next decade.

The 2002 Farm Act affects the crop sector primarily through acreage and production changes. Thus, much of the crop sector focus in this report covers the effects of the new legislation on economic incentives underlying farmers' planting decisions and the resulting effect on acreage. Additional effects on these commodity markets reflect changes in equilibrium levels of prices and demand in response to the acreage and production changes.

Results indicate that changes in loan rates under the marketing assistance loan program of the 2002 Farm Act affect production choices most in the initial years when projected prices are low enough that marketing loan benefits exist. Overall plantings of the eight major program crops

studied are higher initially under the 2002 Farm Act than under a 1996 Farm Act scenario that assumes market-price-based formula determination of loan rates. However, the largest increase in acreage is relatively small (about 2 million acres, or less than 1 percent) partly due to the inelasticity of acreage response in the sector where plantings change proportionately less than the economic incentives provided by prices and net returns. Some switching in the cropping mix from soybeans to competing crops, particularly corn, also occurs in the model simulations, reflecting relative changes in loan rates.

An alternative 1996 Farm Act scenario that leaves loan rates at the maximum levels allowed under that legislation results in smaller overall acreage increases (less than 1 million acres) under the 2002 Act in the initial years covered in the analysis.

In the longer run, as projected market prices in the simulations rise above ranges where there are marketing loan benefits for most crops, overall plantings of the eight major program crops are lower under the 2002 Farm Act due to higher enrollment in the Conservation Reserve Program and increased plantings of dry peas and lentils. Still, these acreage reductions are relatively small, generally ranging from 1.0 to 1.5 million acres in 2006-11.

Under the 2002 Farm Act, program changes for dry peas, lentils, dairy, and peanuts could result in some production increases of these agricultural commodities. The effects on the livestock sector are relatively small, reflecting moderate effects on production and prices of feed grain and protein meal crops. Retail food prices are not expected to change appreciably. Farm income is increased, mostly due to higher government payments to the sector under the new law.

---

## Household *continued from page 1*

enough food. The other two-thirds of food-insecure households obtained enough food to avoid hunger, using a variety of coping strategies such as eating less varied diets, participating in Federal food assistance programs, or getting emergency food from community food pantries. The prevalence of hunger on any given day was much lower than the annual rate; on a typical day in 2001, about 0.4

to 0.6 percent of households were food insecure with hunger. Children were hungry at times during the year in 211,000 households (0.6 percent of households with children) because the household lacked sufficient money or other resources for food.

The amount households spend for food is an indicator of how adequately they are meeting their food needs. In 2001, the typical (median) U.S. household spent \$37.50 per person for food each week.

Weekly food spending by the typical household was about 32 percent higher than the cost of USDA's Thrifty Food Plan—a low-cost food “market basket” that meets dietary standards, taking into account household size and the age and gender of household members. The typical food-secure household spent 35 percent more than the cost of the Thrifty Food Plan, while the typical food-insecure household spent 2 percent more than the cost of the Thrifty Food Plan.

---

## Farmland Protection: The Role of Public Preferences for Rural Amenities *(AER815)*

[www.ers.usda.gov/publications/aer815/](http://www.ers.usda.gov/publications/aer815/)

Daniel Hellerstein; (202) 694-5613;

danielh@ers.usda.gov

All 50 States have enacted farmland protection programs to help slow the conversion of farmland to developed uses. Since the Nation's capacity to produce food and fiber is not at risk given present development patterns, we investigated which benefits, or “rural amenities,” the public seeks to preserve when they supported these programs. Information on these amenities is useful in assessing the current state and future direction of farmland protection programs. Based on the

idea that public preferences shape the design of government programs, we analyzed the comprehensive, nationwide set of legislation and policies that created and implemented these State programs. We found that farmland preservation programs in general seek to protect an array of rural amenities. We also found that purchase of development rights programs are most attentive to preserving rural amenities associated with actively farmed cropland. Our indepth review of several States' broad array of rural land protection programs suggests that farmland preservation program emphases appear to depend on State-specific circumstances, including

the amount of land that remains in agriculture as well as the extent of land already in parks, forests, and other conservation programs.

Ensuring the continued availability of rural amenities may be the most important reason for farmland protection, especially for farmland protection near urban areas. Because “rural amenities” takes on different meanings for different people and different areas, effectively providing rural amenities is not as simple as determining how much farmland to protect. Consequently, information on the variety of rural amenities that can be provided by farmland, and how much they matter, can be useful in assessing the current state and future direction of farmland protection programs.

## The Older Population in 21st Century Rural America

Older Americans are increasing steadily in number and proportion of the total population, especially those age 85 and older. Rural areas generally have a higher proportion of older persons in their total population than do urban areas. Although poverty rates of older persons have generally declined, a metro-nonmetro gap persists, with the rural elderly more likely to be poor than the urban elderly. *Carolyn C. Rogers; (202) 694-5436; crogers@ers.usda.gov*

## Recent Trends in Older Population Change and Migration for Nonmetro Areas, 1970-2000

The older nonmetro population did not grow as rapidly as the younger population in the 1990s. Its growth was much slower than in the 1980s, and it did not contribute to the overall rebound in nonmetro population growth that was so prominent in the 1990s. The reduction in growth stemmed mostly from smaller numbers of people reaching age 65. As the "baby boomers" begin to reach age 65 late in this decade, the older nonmetro population is once again likely to increase rapidly. *Calvin L. Beale; (202) 694-5416; cbeale@ers.usda.gov*

## Federal Funding in Nonmetro Elderly Counties

Most counties with disproportionately older populations are highly rural, farming counties in the country's midsection. These places face significant challenges from small and declining populations, as well as low incomes and tax bases. Because of age-related income security payments and farm program payments, these counties receive more Federal funds, per capita, than other types of counties. *Samuel Calhoun; (202) 694-5339; scalhoun@ers.usda.gov*

## The Graying Farm Sector: Legacy of Off-Farm Migration

The graying trend among U.S. farmers is not new, but it seems to have accelerated during the 1980s and '90s. Older farmers are leaving the sector at slower and slower rates. One fourth of U.S. farmers and half of farm landlords are at least 65 years old. Farmers and landlords aged 65

and older own a combined one-third of farm assets. *Fred Gale; (202) 694-5215; fgale@ers.usda.gov*

## Small Rural Communities' Quest for Safe Drinking Water

The overwhelming majority of drinking water systems are small and in small rural communities, serving primarily residential customers with few, if any, commercial or industrial customers. Because they are unable to achieve economies of scale, small water systems face high investment, operational, maintenance, and compliance costs, and charge relatively high water rates. *Faqir Singh Bagi; (202) 694-5337; fsbagi@ers.usda.gov*

## Rural Housing Prices Grew Rapidly in the 1990s

Rural housing prices rose faster than housing prices in metro areas during the 1990s. Between 1989 and 1999, the median price of owner-occupied homes increased by 59 percent in nonmetro areas compared with 39 percent in metro areas. Net migration and household income growth drove the rapid growth of nonmetro housing prices. *Darryl S. Wills; (202) 694-5396; dwills@ers.usda.gov*

## Socioeconomic Impacts of the Conservation Reserve Program in North Dakota

Long-term land retirement is an important agricultural policy tool, particularly in the Great Plains States. Landowners there generally felt that the CRP had produced substantial environmental benefits while providing income stability for participants. Community leaders also recognized the environmental and recreational benefits of the CRP, but were concerned about negative impacts on agricultural supply and service sector firms. *F. Larry Leistritz; lleistri@ndsuxext.nodak.edu*

## Farm Labor: Hired Farmworkers' Earnings Increased in 2001 But Still Trail Most Occupations

After an increase between 1999 and 2000, the number of people employed as hired farmworkers decreased from 878,000 in 2000 to 745,000 in 2001, according to data from the 2001 Current Population Survey (CPS). Whether this decrease

marks a new trend in farm labor numbers or represents a temporary adjustment to changes in the farm labor market remains to be seen. Although the number of hired farmworkers decreased, their median weekly earnings (in 2001 dollars) increased from \$288 to \$300. *Jack L. Runyan; (202) 694-5438; jrunjan@ers.usda.gov*

## Federal Funds in Rural America: Payments Vary by Region and Type of County

Rural (nonmetro) areas received a total of \$5,481, per capita, in Federal receipts in fiscal year 2000. This was about \$261 less than in urban (metro) areas, representing a 4.5-percent gap. Most of the gap is explained by significantly lower Federal procurement contracts and salaries in nonmetro than metro areas. Nonmetro areas received significantly more funding, per capita, from retirement and disability payments, and also benefited disproportionately from other direct payments (especially farm payments) and grants. *Samuel Calhoun; (202) 694-5339; scalhoun@ers.usda.gov*

---

## Issues in Food

### Assistance (FANRR26)

[www.ers.usda.gov/publications/fanrr26](http://www.ers.usda.gov/publications/fanrr26)

The *Issues in Food Assistance* series addresses topics related to the USDA food assistance programs. Previous briefs covered welfare reform in rural areas, the emergency food assistance system, and the effects of changes in food stamp expenditures across the U.S. economy. The following series concludes the briefs.

#### How Unemployment Affects the Food Stamp Program (FANRR-26-7)

The Food Stamp Program is a means-tested entitlement program that automatically responds to changes in the need for assistance. During economic expansions, caseloads tend to fall as unemployment rates fall and incomes rise. During economic downturns, the program stabilizes the well-being of those adversely affected by changing macroeconomic conditions such as a rise in the unemployment rate. The importance of this relationship is confirmed by the increases in food stamp caseloads and outlays during the last half of 2001, when unemployment rates were rising again. This issues brief examines

the historic link between unemployment and food stamps, to improve understanding of the potential magnitude of economic and policy changes on food stamp caseloads.)

#### Assessing the Self-Sufficiency of Food Stamp Leavers (FANRR-26-8)

The Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA) limited able-bodied adults without dependents (ABAWDs) between the ages of 18 and 50 to 3 months of food stamps in any 3-year period unless they were working. States could choose to exempt ABAWDs living in areas of the United States with high unemployment insufficient jobs from the new requirement. The view that ABAWDs are able to support themselves and should be encouraged to become self-sufficient was the underlying cause of this change to the Food Stamp Program (Bell and Gallagher, 2001). The legislative changes contained in PRWORA, combined with a strong domestic economy, contributed to a dramatic decline in food stamp caseloads in the mid- to late-1990s. As food stamp caseloads declined, concern arose about the well-being of people, ABAWDs among them, who were no longer receiving benefits from the Food Stamp

Program. This concern led to a need to evaluate whether the new rules were, in fact, moving food stamp recipients, including ABAWDs, toward economic self-sufficiency.

#### How Do Food Assistance Programs Improve the Well-Being of Low-Income Families? (FANRR-26-9)

Benefits and costs are important considerations when making program decisions. In 2000, the direct costs of the U.S. Department of Agriculture's three largest food assistance programs (food stamps, school meals, and the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)) were \$28 billion. While the costs of these programs are readily measurable, it is more difficult to estimate the value of the benefits for program participants. The Economic Research Service recently conducted several studies examining how food assistance programs affect the well-being of low-income families. The studies looked specifically at several dimensions of well-being, including food security, nutrient intake, food expenditures, and poverty.

---

## The WIC Program: Background, Trends, and

### Issues (FANRR27)

[www.ers.usda.gov/publications/fanrr27](http://www.ers.usda.gov/publications/fanrr27)

Victor Oliveira; (202) 694-5434;  
victoro@ers.usda.gov

The mission of the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) is to safeguard the health of low-income women, infants, and children up to age 5 who are at risk for poor nutrition. WIC provides nutritious foods to supplement diets, nutrition education, and referrals to health care and other social services. Administered by USDA's Food and Nutrition Service (FNS), the program is available in each State, the District of Columbia, 33 Indian Tribal Organizations, Puerto Rico, the Virgin Islands, American Samoa, and Guam.

WIC is one of the central components of the Nation's food assistance system. Almost half of all infants and about one-quarter of all children 1-4 years of age in the United States now participate in the program. Federal program costs were almost \$4 billion in fiscal 2000, making WIC the country's third-largest food assistance program in terms of total expenditures. WIC accounts for almost 12 percent of total Federal expenditures for food and nutrition assistance.

WIC was created as a 2-year pilot program in 1972 by an amendment to the Child Nutrition Act of 1966 and was made permanent in 1975. The program was established during a time of growing public concern about malnutrition among low-income mothers and children. WIC is

based on the premise that early intervention programs during critical times of growth and development can help prevent future medical and developmental problems. Since its inception, the number of participants in the program has expanded dramatically, from an average 88,000 participants per month in 1974 to an average 7.2 million in 2000. Strong congressional support, generated by various evaluations that found WIC to have high rates of return for its investment, resulted in increased funding for WIC, which, along with effective cost-containment practices, allowed more people to participate in the program. Legislative and regulatory actions and Federal/State/local partnerships that encouraged State innovations such as infant formula rebates have helped shape and refine the program. In recent years, participation in WIC has leveled off, as appropriations for WIC

*Continued on page 6*

# Effects of Food Assistance and Nutrition Programs on Nutrition and Health: Volume II, Data Sources *(FANRR19-2)*

[www.ers.usda.gov/publications/FANRR19-2/](http://www.ers.usda.gov/publications/FANRR19-2/)

Biing-Hwan Lin; (202) 694-5458;

[blin@ers.usda.gov](mailto:blin@ers.usda.gov)

Since the mid-1940s, the United States Government has committed to alleviating hunger and the consequences of inadequate dietary intake. Today, the U.S. Department of Agriculture (USDA) implements 15 programs as a “food safety net,” to provide low-income people with food or the means to purchase food. These 15 food assistance and nutrition programs (FANPs) were funded at a level of \$34.1 billion in fiscal year (FY) 2001.

Under contract with the Economic Research Service of USDA, Abt Associates Inc. has conducted a study to review the state of current knowledge about FANP impacts on nutrition- and health-related outcomes. A thorough literature review was conducted to evaluate the strengths and weaknesses of research design, analytical methods, and data sources employed to analyze FANP outcomes. A series of four reports has been prepared to document what we know and do not know about FANP outcomes and to identify future research needs.

This report, the second of the four reports, documents available data sources. A thorough search was conducted to identify data sources of relevance to FANP-related research. The FANPs of interest in this report are the Food Stamp Program (FSP), the Special Supplemental Nutrition

Program for Women, Infants, and Children (WIC), the National School Lunch Program (NSLP), and the School Breakfast Program (SBP).

Each data source was evaluated against three criteria:

- coverage of both program participants and eligible nonparticipants for at least one of the FANPs;
- identification of program participation status and sufficient information to determine eligibility for nonparticipants; and
- nutrition- or health-related measures that might be useful in studying program impacts or in describing relevant characteristics of program participants and non-participants.

Using these criteria, each data source was assigned to one of four categories with current and potential usefulness for FANP research, as follows:

**Principal Sources.** This category includes existing databases that appear to have the greatest potential for conducting research on FANP outcomes. These data sources meet all three of the criteria noted above and, in some cases, provide the only or best source of data for a given outcome. The principal sources have undergone the most detailed of the assessments for this report.

of childhood obesity, and the health of participating infants, children, and mothers.

In addition to issues relating to WIC’s impact on the health of program participants, numerous issues are associated with administering a program of WIC’s size and complexity.

Issues related to the composition of the WIC food package, cost-containment practices, program accessibility, eligibility standards, and reduction of fraud and abuse in the program, directly affect the

**Potential Sources.** The sources in this category are less useful than the principal sources because they cover limited populations, have a critical gap in participation information, or include outcome measures that, by comparison, are weaker than those available in the principal sources. Many of the potential sources are ongoing data collection programs that could be made more useful for future FANP research if questions were incorporated to fill gaps in relevant information.

**Recognized Sources.** This category includes existing databases that have already been used to evaluate one or more of the FANPs. The sources are either dated or have not been expanded since initial analyses were conducted, so additional analyses of them may not be warranted.

**Insufficient Sources.** Data sources in this category were judged to have very little potential for evaluating outcomes of FANPs, so detailed assessments were not completed.

In all, 26 data sources were classified into the 2 categories offering clear potential for FANP-related research, namely, principal and potential sources. (There are 13 principal sources and 13 potential sources.) In this report, key FANP-related data for each of the 26 data sources are discussed in detail. In addition, each of them is profiled by listing information on purpose of the research, sponsoring organization/agency, data collection timeline, population covered, sampling design, FANPs for which participation is identified, nutrition- and health-related data, demographic data, and data availability.

women, infants, and children who participate in the program. Other groups, including food retailers, infant formula manufacturers, and farmers, are indirectly affected. While some of these issues have been addressed in the literature, others have not. Additional research to determine the optimal method of operating the WIC program to meet the needs of program participants given resource constraints will help shed light on many of the issues currently facing the WIC program.

## **WIC** *continued from page 5*

have stabilized at what is believed to be near full-funding levels.

As a gateway through which many low-income families enter the public health system, WIC reaches a large number of this Nation’s infants and children. Therefore, having the most effective WIC program possible can have an important influence on the health of America. Issues have been raised about the impact of the WIC program. These include WIC’s effect on breastfeeding rates, prevalence

## **Yearend Review: U.S. Ag Markets Encountered Turbulence**

The tightest grain and oilseed supplies in several years are boosting prices and forcing adjustments for end-users. Drought in many regions slashed crop and forage production, stressed cattle operations, and raised costs for livestock producers. With the crop supply situation essentially established, markets are focusing on how buyers will adjust and how 2003 plantings will respond to higher prices. Livestock sector adjustments due to higher feed costs and tight forage supplies are resulting in abundant meat supplies as producers incline more toward marketing than building herds. *Dennis Shields; (202) 694-5193; dshields@ers.usda.gov*

## **Holiday Sales Look Bright for Christmas Trees & Poinsettias**

Christmas tree sales depend not only on consumer holiday budgets, but also on competition from artificial trees. In 1989, sales of real and artificial Christmas trees were equal, but by 2000 the share of real trees had fallen to 39 percent. The 2002 holiday season's sales of real Christmas trees are expected to total at least 32 million. With estimated retail prices averaging \$36 per tree, total retail sales should approach \$1.2 billion, a rise of 9 percent. Poinsettia sales are expected to continue growing, up 2 percent to \$260 million at wholesale. *Alberto Jerardo; (202) 694-5266; ajerardo@ers.usda.gov*

## **Controversies in Livestock Pricing**

Some livestock producers allege that aspects of the livestock pricing system contribute to low prices. Vertical coordination, which includes contract arrangements between packers and producers, has been accompanied by declining use of spot markets. The benefit of spot markets is the easy dissemination of price information, but vertical coordination also offers advantages--both for sellers and buyers. There are continuing controversies over the extent to which structural changes and pricing methods in the industry have affected producer prices. *William Hahn; (202) 694-5175; hahn@ers.usda.gov*

## **Where's the Beef? Small Farms Produce Majority of Cattle**

Small operations produce the majority of beef cattle in the U.S., and control 74 percent of the land dedicated to beef cattle production. Three quarters of the nation's beef cattle spend at least part of life on a small farm (annual sales under \$250,000). Small enterprises producing beef cattle in the U.S. can be divided roughly into two groups: full-time operations for which agricultural production is a significant source of income, and part-time operations for which it is not. These operations may differ among themselves and with large operations in areas like production, marketing, and land stewardship, with implications for farm policy. *A. James Cash II; (202) 694-5149; ajcash@ers.usda.gov*

## **Globalization of the Soft Drink Industry**

The beverage industry is a bellwether for the food industry, where globalization has affected the structure. Soft drink companies produce for domestic and foreign markets, license their products, and invest in plants abroad. U.S. soft drink exports totaled \$232 million in 2001. Names like Coca-Cola and Pepsi are recognized worldwide, and foreign brands are consumed in record amounts in the U.S. Major shifts in the business environment for these manufacturers include refocusing from national to international, expansion across product lines, and rising competition. *Chris Bolling; (202) 694-5322; hbolling@ers.usda.gov*

## **Enhancing Food Safety in APEC Countries**

Changing consumption patterns, lengthening of supply chains, and the rising share of perishable food products in trade are all generating concerns about food safety in the Asia Pacific Economic Cooperation (APEC) region. Recent outbreaks of food-borne illness in China (contamination by rat poison) and the U.S. (*Listeria*) have heightened that concern. APEC countries are increasingly implementing quality and risk management systems and training programs to make food supplies safer. *William Coyle; (202) 694-5216; wcoyle@ers.usda.gov*

## **Commodity Policies of the U.S., EU, & Japan--How Similar?**

Commodity policies of the U.S., the European Union, and Japan address some of the same goals, but there have always been key differences in approach and in their policy instruments. In recent years, all three have made significant changes to their commodity policies. Efforts to encourage freer trade in agricultural commodities have led each of the three toward less trade-distorting programs. Although differences certainly remain, some of the factors influencing development of agricultural policy may be pushing their commodity policies in a similar direction. *Anne Effland; (202) 694-5319; aeffland@ers.usda.gov*

## **Shaping the Global Market for High-Value Foods**

The global market for high-value foods is subject to an ever-changing product mix demanded by wealthier and more selective consumers. But as developing countries' income and population levels grow, they account for a growing share of global food sales. In response, multinational food companies are rapidly restructuring their manufacturing and retail operations to better meet evolving world food demand. Global sales of high-value food products were estimated at US\$4 trillion in 2000. *Mark Gehlhar; (202) 694-5273; mgehlhar@ers.usda.gov*

## **What's at Stake in the Next Trade Round**

As the next round of multilateral trade negotiations begins later this winter, attention is most frequently trained on commodity-by-commodity impacts of trade liberalization. But the most compelling economic story is the potential for trade liberalization to accelerate income growth in developing countries. It is income growth that increases demand for food and shifts demand to high-value products such as meat. Expansion of demand in developing countries would present a significant opportunity for U.S. producers who otherwise face a stable and mature domestic food market. *Susan Offutt; (202) 694-5000; soffutt@ers.usda.gov*

**Moving?** To change your address, send this sheet with label intact, showing new address to USDA/ERS, Room S-2015, 1800 M Street, N.W., Washington, DC 20036-5831.

## Also Off Press

Find the latest ERS outlook reports on the web at: [www.ers.usda.gov/publications/outlookreports.htm](http://www.ers.usda.gov/publications/outlookreports.htm)

In addition to the reports fully summarized in this issue of ERS Information, the following reports were recently released.

### **Livestock, Dairy, and Poultry Situation and Outlook (11/15)**

Total red meat and poultry exports are expected to increase about 5 percent in 2003 over 2002, after posting a 3-percent decline this year. The largest contributor to the decline this year is broiler exports, which are expected to register an 8-percent year-over-year reduction.

### **Wheat Outlook (11/14)**

Projected U.S. 2002/03 ending stocks of wheat are down 13 million bushels from last month due to lower production and smaller projected imports. Estimated production is revised down 8 million bushels because of reduced area.

### **Feed Outlook (11/4)**

Changes were made this month to 2002/03 corn and sorghum production, exports, and feed and residual use. No changes were made to the annual barley and oats supply and demand situations but first-quarter final trade numbers resulted in minor changes.

### **Oil Crops Outlook (11/13)**

The U.S. Department of Agriculture (USDA) estimated 2002 soybean production at 2,690 million bushels, up 36 million from the October forecast. Exports of U.S. soybeans for 2002/03 were forecast higher this month to 890 million bushels, compared with the October forecast of 850 million.

### **Vegetable Policies in Japan (11/12)**

Japan's policies in the vegetable sector support producers' incomes while keeping market prices stable. If market prices for vegetables fall below a historical average price, farmers receive compensation for most of the price decline. In return, farmers are expected not to exceed target planting areas.

### **Vegetables and Melons Outlook (10/24)**

Production of storage onions is expected to decline 2 percent in 2002 to about 46 million cwt. The storage crop, which provides the bulk of the Nation's onions until next spring, accounts for about two-thirds of all onions grown.

### **Oil Crops Yearbook (10/23)**

U.S. farmers planted 74.1 million acres of soybeans in 2001, 0.2 million less than the 2000 record. Although U.S. soybean plantings decreased, harvested area increased to a record 73.0 million acres due to lower abandonment than in 2000.

### **U.S. Agricultural Trade Update (10/21)**

After 11 months of fiscal 2002, the U.S. agricultural export surplus is \$1.2 billion below fiscal 2001, a 10-percent decline. Although exports are up by \$555 million in the year-to-date, that is only a 1-percent gain, and imports are up much more, nearly 5 percent or \$1.8 billion.

### **Fruit and Tree Nuts Yearbook (10/17)**

The 2001 fruit and tree nut crop declined 8 percent from the previous year as a

result of smaller fruit crops. Nut production, on the other hand, climbed 20 percent. Declining bearing acreage and lower yields attributed to a 6-percent decline in citrus production and an 11-percent decline in noncitrus production.

### **Cotton and Wool Outlook (10/15)**

The latest USDA cotton forecast for 2002/03 indicates that world cotton production will decline 10 percent from last season to 88.5 million bales. While total foreign and U.S. production are both forecast below 2001/02, expected foreign output was unchanged this month, while the U.S. crop was reduced slightly.

### **Rice Outlook (10/15)**

The 2002/03 U.S. rough rice crop was boosted 3 percent to 211.9 million hundredweight (cwt), fractionally below a year earlier's record. A 3-percent increase in the projected yield to a record 6,608 pounds per acre is responsible for the larger crop. Harvested area remains projected at 3.2 million acres, 3 percent below a year earlier.

### **Aquaculture Outlook (10/10)**

Over the last several years there has been slow but continuous growth in domestic aquaculture production and strong growth in the amount of aquaculture products imported into the United States. While there are several reasons for these increases, probably the chief reason has been the decline in prices for both domestically produced and imported products.